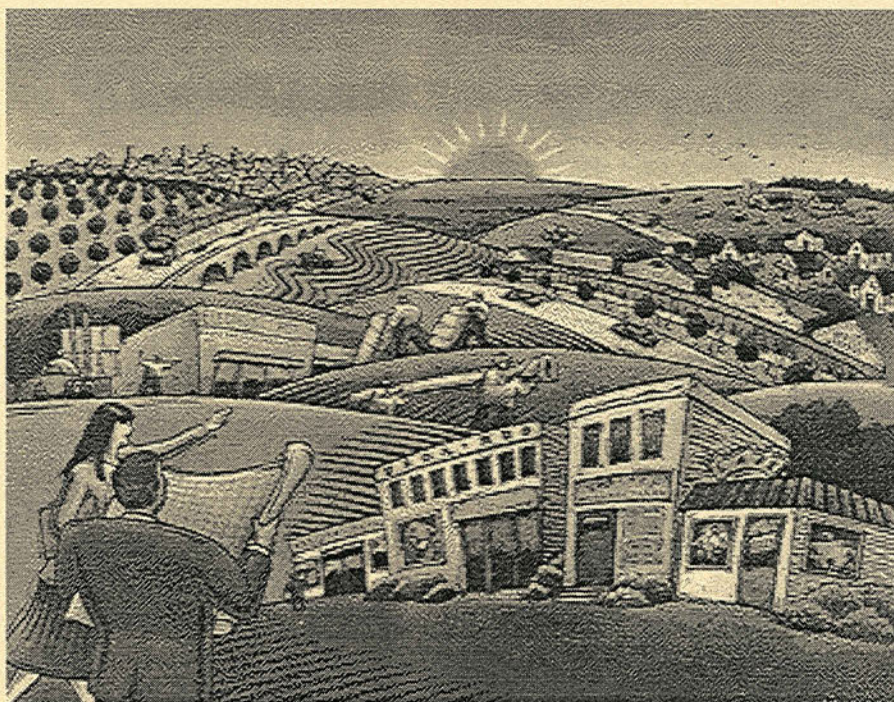

Annual Competition Guidelines FY-1998

Health (Medical Programs)



Community Development Block Grant Program



MISSOURI

DEPARTMENT OF ECONOMIC DEVELOPMENT

FY-98 ANNUAL COMPETITION SCHEDULE

- November 1, 1997 - Consolidated Plan distributed by DED
- Public Hearings on Plan held at:
 - November 5, 1997 Kirksville
 - November 6, 1997 Jefferson City
 - November 12, 1997 Maryville
 - November 13, 1997 Warrensburg
 - November 18, 1997 Sikeston
 - November 19, 1997 Willow Springs
 - November 20, 1997 Springfield
 - Joplin
- December 15, 1997 - Deadline for comments on proposed FY-98 program
- Application Seminars:
 - December 15, 1997 Jefferson City
 - December 16, 1997 Hamilton
 - December 17, 1997 Springfield
 - December 18, 1997 Sikeston
- February - DED staff available by appointment for application reviews
- March 16 - Annual Competition Application deadline, Jefferson City**
- March 19-20 - General Administrative Training, Jefferson City
- July 1 (est.) - Award Announcements
- July - Training for grantees only

FEDERAL ENABLING LEGISLATION

In 1974, the Housing and Community Development Act (Public Law 93-383) as amended in 1981, 1983, 1984, 1987, 1988, 1990, and 1992 combined eight categorical programs into a single block grant program. The Department of Housing and Urban Development (HUD) administered the program from 1975 - 1981 for local community development projects with the goal of providing adequate housing, a suitable living environment and expanded economic opportunities for lower income citizens. Annual Federal appropriations for the program are divided 70 percent for entitlement cities and counties and non-entitlement communities within metropolitan areas (SMSA), and 30 percent for non-entitlement communities within non-metropolitan areas. Grants for entitlement areas are calculated and awarded on the basis of a formula. Non-entitlement grants were awarded by HUD prior to 1982 based on individual competitions and a national rating system.

Legislation signed by the President on August 13, 1981, authorized major changes in the program. The Housing and Community Development Amendments of 1981 provided each state the option of administering Community Development Block Grant funds for non-entitlement areas (also known as the Small Cities Program). Since fiscal year 1982, the State of Missouri has elected to administer the program.

STATE POLICIES AND GOALS

The State has consulted with local officials on several occasions since 1981, and policy revisions in the program have reflected the desires of local officials. Between November 5th and 18th, 1997 the State conducted eight public hearings to obtain comments on the "Consolidated Plan" which contained the proposed one-year action plan for the fiscal year 1998 CDBG program. Citizens comments were taken into consideration in the development of these guidelines, and a final Consolidated Plan for FY-98 of all program rules and policies will be available for public distribution after February 1, 1997.

STEP-BY-STEP APPLICATION PROCESS

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STEP 1 DETERMINE YOUR NEEDS

Needs Assessment: Discuss with your governing body, department heads, and citizens what the priority public facility/public project/housing needs are in your community. It is preferable, but not required to have a Capital Improvement Plan which identifies in an orderly fashion the needs of the community, and methods of financing those needs.

Citizen views on community needs must be solicited during the required public hearing (see STEP 7) and at any subsequent meetings in order to complete the Needs Assessment document found in the application. You will note that the document has again been revised for the FY-98 program. The Needs Assessment contains both sections which must be completed using public opinion and those which may be completed using census data. The method that the community chooses to stimulate enough public opinion to generate and compile a representative consensus of the public is up to the community to select. We trust that you will recognize special interest groups and continue to generate input from other sources.

Obviously, generating public participation and public opinion will require different approaches in different communities. There is no required percentage of contributing population set by CDBG and there is no required number of "meetings" that must be attended to seek input set by CDBG. Instead, we will respect the method(s) selected by the community and by submission we will assume that the applicant is satisfied with the level of input and that the document accurately portrays a consensus of public opinion.

Public perception of the needs may differ from the needs identified by the governing body, the engineer, the grant administrator, the state, or the federal government. In this document, we are seeking that public perception. We want to use it for two purposes. First, we want to compare it at the State level to what agency studies have determined are the needs for Missouri. Second, we want the communities to recognize any differences in public perception and actively take measures to address them. For example, if the proposed project is not listed in the top five needs as addressed by the citizens, then it requires an explanation. Is it a problem of educating the community? Why don't they consider this a need? The Needs Assessment document allows for that explanation.

There are no right or wrong answers. The assessment should not be altered or skewed to reflect the particular project. Rather, it should be used as a preliminary planning tool.

Determine Jurisdiction: Once your need is identified and the proposed project begins to form the community must look at jurisdictional boundaries appropriate to the project. If the project extends beyond a city's boundary, then any application to CDBG may have to be multi-jurisdictional. There are specific up-front requirements for multi-jurisdictional applicants and CDBG must be notified for specific instructions.

Determine Responsibility/Ownership: Ownership and responsibility are factors that must be examined by a community applying to CDBG. Does the unit of local government own or operate the facility or infrastructure or will the application have to be made "on behalf of" another? Eligible entities

for which a city or county may sponsor an application include: other political subdivisions, organized districts, or not-for-profit organizations. See STEP 2 for further information.

An intergovernmental agreement must be entered into prior to application submittal between the two entities of an "on behalf of" application. This agreement must be submitted with the application this year, executed by all parties. (A sample is available from CDBG.)

STEP 2 REVIEW YOUR ELIGIBILITY WITH THE CDBG PROGRAM AND FAMILIARIZE YOURSELF WITH CDBG REGULATIONS

Once the priority project has been identified and it is determined on a preliminary basis that additional financial assistance is necessary, the community must determine if the project meets the minimum criteria of the CDBG program:

- (a) 51% or more of the households benefiting are low and moderate income (LMI) for public facilities and 100% LMI benefit for housing activities. LMI benefit must be determined by census or survey;
- (b) CDBG cost per household benefiting does not exceed \$5000 (public facilities/public projects); \$12,000 (housing - excluding relocation and lead hazard reduction, substantial reconstruction);
- (c) Activity is eligible under CDBG law (nearly every type of improvement is eligible except non- ADA work on a city hall or courthouse);
- (d) CDBG request is less than \$500,000 for public facilities/public projects or \$600,000 for neighborhood development; and,
- (e) The project does not involve any type of repair, maintenance, or operation costs.

Eligible Applicants: The State may only, by Federal law, distribute CDBG funds to "units of general local government" in non-entitlement areas of Missouri, which are incorporated cities, counties, and villages. Other political subdivisions or non-profit agencies must be represented by a city or county.

Cities and counties in Missouri that are in the HUD "entitlement" program, and are not eligible for "non-entitlement" funds distributed by the State include: Columbia, Florissant, Independence, Joplin, Kansas City, Springfield, St. Charles, St. Joseph, Lee's Summit, St. Louis (city), St. Louis County, and the cities within St. Louis County who have elected to participate in the St. Louis County entitlement program.

Number of Applications: An applicant may submit an application in one of two ways: individual or representing another political subdivision. Only one application may be submitted in the annual competition by a city or county representing themselves; however, a city may submit one additional application on behalf of another entity, and a county may submit two additional applications on behalf of another entity. In determining the eligible sponsor of an "on behalf of" application, the applicant must be addressing its own community development needs. Otherwise, the application would be ineligible. Agencies having members appointed by the mayor/council or county administrative commission are considered part of the city or county, therefore, may not be represented in an "on behalf of" application. The city or county must decide which, if any, application(s) to submit if several entities request it to be a sponsor. A contract or intergovernmental agreement between the city/county sponsor and the other entity must be

executed prior to the submission of an application which specifies decision-making authority, administration, contract compliance, reports, etc. In all instances, the city or county, as the State's grantee, has final responsibility for the project implementation and compliance. The city or county must retain financial responsibility, and the required audit will be of the grantee (city or county). Article VI, Section 16 of the Missouri Constitution and RSMo 70.210 - 70.320 should be reviewed in such cases.

Multi-jurisdictional grants are those benefiting two or more governmental entities such as a regional water system; multi-county health facility, etc. CDBG must be contacted for specific instructions regarding multi-jurisdictional applications.

Applications must be submitted on forms prescribed by DED.

Types of Applications:

- a. Neighborhood Development projects must contain housing activities (which include professional services except administration) equal to at least 40% of the total cost of the project. Housing activities may be 100%, if so desired (and there are not public facilities deficiencies). A neighborhood development project must be within one concentrated target area of no more than 200 housing units or less than 20. Public facilities may only benefit those residents within the target area, unless eligible (surveyed) beneficiaries exist adjacent to the target area, or the target area contains more than 50% of the residents in the city and a citywide (51% LMI eligible) improvement is proposed. All significant housing and public facilities needs in the target area should be addressed.
- b. Public Facilities projects must address only one public facility need. The improvements may be performed city-wide, county-wide or in a targeted area in either. City-wide or county-wide is specifically defined as more than 50% of the residents (persons) benefiting; a targeted area is defined as less than 50% of the residents. If census data is used to prove LMI, entire city or county must benefit from the project; otherwise, a survey must be conducted.

Limitation of CDBG Requests per Application:

	<u>Minimum</u>	<u>Maximum</u>
a. Public Facility/Public Projects		
Water	10,000	500,000
Sewer	10,000	500,000
ADA and 911	10,000	400,000
Bridges, Streets, and Drainage	10,000	400,000
Community Facilities	10,000	400,000
b. Neighborhood Development Projects	50,000	600,000

In the neighborhood development projects, the maximum CDBG request will be \$500,000 for housing activities and \$300,000 for public facilities. Professional services required for the activity are included with the maximums. Administration, legal, and audit are excluded.

HOUSING ACTIVITIES

Activities: Housing activities are limited to housing rehabilitation; substantial reconstruction; acquisition of property that was, or is, for residential housing purposes; relocation of households from dilapidated residences; demolition of residential units or outbuildings; code enforcement; payments for loss of rental income; removal of architectural barriers in residential properties; disposition of residential property; public services that directly relate to housing needs, including construction trade training; activities of other organizations relating to housing, including the construction of new housing; shared housing operations; energy use strategy activities relating to housing; supportive services including counseling, job training, child care, crime control, and transportation. Costs for application processing and other personnel related expenses are considered administrative, except for housing inspection and relocation management, which is considered a housing activity. Inspection and relocation management is limited to \$600 per unit. Before considering rehabilitation, demolition, or relocation, see the Acquisition and Relocation Regulation section in this STEP and Appendix C for requirements of relocation displacement. Before budgeting for lead paint activities, see the Lead Paint Activities section in this STEP. Applicants are strongly encouraged to survey the target area for much more than LMI benefit. Items in the survey should include: housing condition, presence of children under 6, rental status, desire of female head of household to have lead hazard reduction activities, desire to benefit from housing supportive services, desire to participate in the program at all, employment status, age, or any other items necessary to complete your application in a comprehensive manner. DED will assume that applicants with a low return rate on their survey will have more difficulty carrying out their program than applicants with a higher return rate. A minimum 80% return is strongly encouraged.

Financing Options: Local governments have several options in which to choose to perform housing rehabilitation activities. The options include:

- (1) **Direct grants, deferred payment loans, or forgivable loans:** Essentially, these are funds provided for the entire cost of the repair work, and the homeowner is not expected to pay back a loan unless certain actions happen (such as if the house is sold, poor maintenance occurs, or if their income level increases over certain standards - these conditions must be written into initial contract);
- (2) **Gap financing:** The concept of this technique is to have the homeowner obtain a private loan for as much as they can afford to pay in monthly payments, with CDBG providing the difference between the cost of repairing the house minus the amount of the private loan. The CDBG subsidy could be in the form of a deferred payment loan, if desired. Generally, 25-30% of a household's income is the maximum to be used for housing purposes.

- (3) **Interest rate write-down:** CDBG funds can be used to write down interest rates for private loans from financial institutions.
- (4) **Direct loan:** This method is to provide CDBG funds for the entire amount of the loan, and the loan is to be repaid to the city or county. This may include packaging a combination of grant and loan funds, if needed. A reuse plan will be requested from the grantee for program income before grant close-out.

Rehabilitation Standard: All units that receive CDBG assistance must be completed to at least the "health and safety" standards, and at least 80% of the housing funds must be used to complete units to the "livability" standards, a summary of which follows this section. Generally, units that cannot be rehabilitated to the required housing standards for a reasonable price (discussed below) should not be rehabilitated. There are alternatives for such dilapidated units, which includes relocating the household into a standard unit (or the repair of a substandard unit to move them into); or replacing the dilapidated unit with new construction or a mobile home (substantial reconstruction). Relocation and substantial reconstruction costs should be applied for at application stage. A lead-based paint risk assessment and subsequent hazard reduction is required on all rental units and on owner-occupied units containing children under age six. Lead hazard reduction monies are not included in the \$12,000 per household limitations. All lead hazard reduction activities must be conducted by individuals licensed by the Department of Health. DOH may also require some rehabilitation activities that also eliminate lead hazards in any houses constructed prior to 1950.

The maximum average CDBG cost for housing activities is \$12,000 per household. This is not to be confused with a limit in any one individual case. Typically, the average cost per household for rehabilitation is about \$9,000 to \$11,000, depending on the local cost of labor and materials. It is generally considered that rehabilitating a unit is not feasible if the cost exceeds \$15/square foot (depending on the size and location) or 75% of the appraised value of the property after rehabilitation. DED will not allow a community to grant more than \$15,000/unit. A community may loan an owner up to \$15,000/unit in addition to the \$15,000 grant. The loan (at a minimum) must be repayable within 15 years or upon the sale of the home, whichever comes first. The community may instill stronger criteria and/or fixed repayment schedules and may institute a hardship waiver policy. The boundaries of such a waiver policy must be included in writing as part of the community's rehabilitation guidelines. DED requires prior approval before a unit can be repaired which exceeds \$15,000 cost. Rehabilitation of rental units requires a 25% match by the owner of the rental property, if the owner is above LMI guidelines for that area. If the owner qualifies as LMI, this requirement does not apply. A two-year rent-freeze agreement is required on all rental units.

Generally, a grantee must use CDBG funds to perform the housing improvements within the target area; however, a grantee may use 20% of their housing funds outside the target area and/or for units that do not meet the "livability" standards. (This is a maximum of 20%, not a total of 40%.)

Affordable Rents: DED will provide criteria for "affordable rents" based on HUD's assisted Housing Program Fair Market Rents.

Mobile Homes: If mobile homes are to be addressed with CDBG funds, they must (a) be permanently anchored and skirted or on a full foundation, and (b) these activities must be performed as part of the rehabilitation activities. Any unit parked on rental spaces in mobile home parks is considered non-permanent, and may not be addressed with CDBG funds. Permanent mobile homes will be considered a normal residential unit when preparing the map and inserting data in the application.

Vacant Units: The rehabilitation of vacant units is generally not allowed unless: (1) the City reimburses the owner after the unit is occupied by an LMI household, (2) they are to be used for relocation purposes, or, (3) the owner has a tenant under contract to move into the unit after rehabilitation. Also, with prior DED approval only, a vacant unit may be rehabilitated to fulfill Section 104(d) requirements for replacement housing.

Neighborhood-Target Area Requirements: A neighborhood target area must have at least 20 residential units, but is limited to a total of 200 housing units. The neighborhood must be similar in character, and the cause of the needs must be of a similar nature or source. The boundaries of the area should generally not be gerrymandered for application purposes.

Code Enforcement: Code enforcement is a legal method to ensure the long-term impact of housing improvement efforts. Such methods include building, housing, and property maintenance codes; zoning; and occupancy permits. The strategy rating in neighborhood development projects addresses the use of code enforcement by applicants.

Weatherization: CDBG assisted projects are highly encouraged to use HUD's "Cost Effective Energy Conservation Standards" when performing rehabilitation.

Multi-Family Rehabilitation: If an applicant proposes to rehabilitate more than six units in one building with CDBG funds, detailed information must be provided to DED concerning the financial feasibility, management, start-up costs, and tenant occupancy. Such units must also include a preliminary architectural plan and cost estimate in the application.

Housing Reconstruction, New Construction for the First Time Homebuyer, Last Resort Housing Assistance through the Uniform Act: For homes that are determined to be infeasible to rehabilitate, grantees may demolish the house and reconstruct a house on the same site. Up to \$25,000 may be used to build a new house with any difference between \$25,000 and the cost of the house to be paid by the homeowner or other State or Federal program. Plans and specifications for new construction must be approved by DED or the city's local code enforcement official prior to undertaking this activity. Standardized codes or equivalent city codes will be used to conduct the plan review. The house must also comply with DED HQS. "Same site" is defined as anywhere on the same lot or parcel of property. Used manufacturing housing cannot be used to reconstruct a house. New manufactured homes, approved by HUD, will be allowed to replace: (1) any manufactured home, (2) a house with less than 800 sq.ft. of living space, and, (3) single story houses without at least two walls and a continuous foundation. Any modular home built according to manufacturing plans approved by the Public Service Commission are not subject to the manufactured home requirement.

A household that has not owned a home within three years can receive downpayment assistance to build a new home within the target area. Rules governing the construction are the same as those for the housing reconstruction activity with the following exceptions: (1) the house can be placed on any site within the target area, (2) the new house is not required to replace an existing house on that site, (3) construction financing is an eligible project cost, and, (4) manufactured homes will not be allowed unless constructed on a continuous foundation.

New Construction occurring as a part of a Uniform Act governed project will use the same rules as that for housing reconstruction, however, the maximum amount of assistance will be governed by the Uniform Act, and the house does not have to be constructed on the same site as the house to be demolished.

Job Training Construction Skills: Neighborhood Development funds can be expended to train persons for construction trades, including entrepreneurial training and lead based paint hazard reduction training. CDBG funds may be budgeted under the public services line item to be used to hire a supervisor/trainer to assist with rehabilitating a building or construct a new house(s) in the target area. Grantees must ensure that trainees in on-the-job training activities are Section 3 qualified. Funds used to acquire materials to rehabilitate or build a house used for training activities must come from the rehabilitation line item. CDBG funds may also be used for classroom training in the construction trades. Those trained with CDBG funds in the classroom must live in the same region as the applicant, if more than one grantee collaborates to conduct a training session. Trainers must have a minimum of five years experience in the construction trade offered, have at least three years post high school training experience or be licensed to train for the activity as required by the State. Construction trade training for electrical, HVAC, and plumbing must include instruction in nationally recognized building codes. Applicants must provide a detailed description of the program offered, rational for the program and the number of persons to be served by the program. The maximum amount allowed to be expended for training activities is \$5,000 per beneficiary or \$10,000 per house for on-the-job training activities.

Beneficiary Job Training: CDBG funds may be used for job training or job counseling for direct housing beneficiaries who are unemployed or underemployed. This activity should be conducted in coordination with the local Private Industry Council. Applicants are encouraged to use JTPA funds whenever possible. This activity should be listed as a counseling activity unless the beneficiary in the target area to receive the job training has already been identified. Applicants are encouraged to design the activity in conjunction with financial counseling to ensure an appropriate fit between the job training conducted and the ability of the recipient to obtain a job.

Supportive Services: Supportive Services include any eligible activity that would allow a household in the target area to reach a greater level of self-sufficiency. Activities to be carried out should be clearly identified in the application. The need for each service must be stated in quantifiable terms. Grantees are encouraged to survey all neighborhood residents to determine the need for the service requested. Applicants must provide a firm commitment from other agencies or not-for-profit service providers that document the service can be carried out within the neighborhood. Eligible activities include:

employment training/counseling, home maintenance and financial counseling, child care, crime prevention, transportation to work, entrepreneurial training, etc.

Lead Paint Activities: Applicants should ensure that adequate funds are budgeted for lead based paint risk assessments and lead based paint hazard reduction activities. Up to \$6,300 may be budgeted for each house that will require these activities. Applicants should ensure that their survey of the target area identifies houses with children under 6, rental units, units built before 1950, and females of childbearing age in the area. The condition of these houses and the potential for lead based paint hazards should be assessed, at a minimum, from the outside of the house. Any funds budgeted for lead hazard reduction must be expended on contractors that are licensed by DOH.

Housing Inspectors' Qualifications: Although a housing inspector may not be hired until after grant award, the following should be taken into consideration if pre-selection is conducted. DED requires grantees to certify that their housing inspectors have met certain minimum qualifications before funds are released. Inspectors must have one of the five following minimum qualifications:

- (1) two years in a building construction supervisory position, has been a city code inspector for two years enforcing nationally approved building and electric codes, and has taken an approved course in specification writing and cost estimating, or submits specifications for the grantee's first house that can be approved by DED; or
- (2) has been housing inspector on a CDBG project in the past and the performance was determined acceptable; or
- (3) has at least one year of formal training as a housing inspector and submits specifications for the first house that can be approved by DED; or
- (4) has at least two year's experience as a rehabilitation inspector in other federal programs with the exception of Section 8 Mod-Rehab and weatherization programs and submits specifications for the first house that can be approved by DED; or
- (5) has been a building trades instructor in a post-high school institution approved by the state for a least two years.

NOTE: DED will not certify any inspector whose performance on previous grants has been consistently deficient, regardless of qualifications. Consistently deficient will be determined if at least nine houses previously inspected by DED averages two deficiencies from DED's Health and Safety standards after rehabilitation, or have work that was not installed in a functional manner.

Performance Measures: Applicants are required to set up milestones within which they can reasonably be expected to complete their project. Milestones must be set up for one year and 2 years after award of a project and will be expressed in terms of number of units addressed. These units may be addressed through funds other than CDBG funds. Applicants should put in this section only those units which

they can complete during the period. If an applicant does not think it can complete a project within 2.5 years, it should reduce the size of its project. DED will, on an annual basis, review an applicant's performance in reaching its milestones.

SUMMARY OF HOUSING QUALITY STANDARDS (HQS)

The HQS is divided into two subparts: health and safety standards and livability standards. All units receiving CDBG rehabilitation assistance must comply with the health and safety standard; at least 80% of the funds for rehabilitation activities must comply with the livability standard. Below is a general description of the standards. The specific HQS requirements will be included in DED's FY-95 CDBG Management Handbook.

a. Health and Safety Standards:

1. **Electrical:** All electrical work shall meet National Electrical Code, latest 10-year edition. Obsolete or unsafe wiring systems must be replaced. Splicing of wires outside of junction boxes will not be allowed. Not less than two general circuits (15 amp.) and one appliance circuit (20 amp.) shall be provided.
2. **Plumbing:** All houses shall meet Section 8 Standards regarding plumbing work. Soft copper piping will generally not be allowed in replacing and installing gas lines. All on-site sewage disposal systems shall be installed according to regulations of the Department of Health. All water quality generally must meet DNR standards. Venting of sewer system required.
3. **Venting of Mechanical Systems:** All venting of mechanical systems shall meet Section 8 Standards. All solid fuel burning appliances shall be vented as specified in the CDBG Handbook. All solid fuel burning flues and chimneys shall be cleaned. Clearances shall be as specified in the CDBG handbook.
4. **Lead Based Paint:** All houses shall meet State/DOH and HUD requirements with regard to lead based paint.
5. **Roof Covering:** Shall be as required in Section 8 Housing Quality Standards. All roofing work completed shall use metal flashings as appropriate.
6. **Crawl Spaces:** All foundation crawl spaces will be enclosed to prevent pipes from freezing in the winter. All pipes in unheated crawl spaces shall be wrapped with appropriate insulation to prevent them from freezing.

7. Structural: All floors, stairs, ceilings, and other load bearing structural members shall be solid and not in danger of collapsing.

8. All materials must be installed according to manufacturer's recommendations.

b. Livability Standards: This standard includes the Health and Safety requirements of (a) and will require at least a minimal amount of weatherization including ceiling and wall insulation. Some space standards and additional facilities and appliances are required. Includes all Section 8 Housing Quality Standards items. Electrical service must be 100 amp. Drainage away from house required. Light and ventilation standards specified. Potential for air and water infiltration is addressed. Generally, roofs should be in adequate enough condition not to leak for a five-year period. A house shall have at least one operable smoke alarm.

ELIGIBLE AND INELIGIBLE ACTIVITIES

1 Eligible Activities:

Section 105(a) of the CDBG Act and HUD regulations specified the activities that are eligible for CDBG assistance. A general listing of eligible activities is below, and a more detailed description is provided in 105 (a) of the Act and in 24 CFR 570.482. See Appendix D. While all activities may be eligible, each project is prioritized based on criteria defined in Section 10 herein.

- | | |
|--|---|
| 1 - PROPERTY ACQUISITION | 33 - PLANNING |
| 2 - PROPERTY DISPOSITION | 34 - COMMERCIAL OR INDUSTRIAL FACILITIES |
| 3 - PROPERTY CLEARANCE | 35 - ADMINISTRATION |
| 4 - ARCHITECTURAL BARRIER REMOVAL | 36 - ENGINEERING - DESIGN |
| 5 - SENIOR CENTERS | 37 - HOUSING REHAB INSPECTION |
| 6 - COMMUNITY FACILITIES | 38 - ENGINEERING - CONSTRUCTION INSP. |
| 7 - CENTERS FOR THE HANDICAPPED | 39 - CONTINGENCIES |
| 8 - HISTORIC PROPERTIES | 40 - AUDIT |
| 9 - WATER FACILITIES | 41 - PORT FACILITY |
| 10 - SANITARY SEWER COLLECTION | 42 - AIRPORTS |
| 11 - STORM SEWERS | 43 - NATURAL GAS LINES |
| 12 - FLOOD AND DRAINAGE FACILITIES | 44 - ELECTRICAL DISTRIBUTION LINES |
| 13 - STREETS (OR ROADS) | 45 - RAIL SPURS |
| 14 - STREET ACCESSORIES | 46 - SECURITY LIGHTING |
| 15 - PARKING FACILITIES | 47 - OTHER PROFESSIONAL SERVICES |
| 16 - BRIDGES | 48 - SECURITY FENCING |
| 17 - SIDEWALKS | 49 - SITE PREPARATION |
| 18 - PEDESTRIAN MALLS | 50 - PURCHASE LAND/BUILDING |
| 19 - RECYCLING OR CONVERSION FACILITIES | 51 - FACILITY CONSTRUCTION RENOVATION |
| 20 - PARKS AND RECREATION FACILITIES | 52 - MACHINERY/EQUIPMENT |
| 21 - FIRE PROTECTION FACILITIES/EQUIPMENT | 53 - WORKING CAPITAL |
| 22 - SOLID WASTE DISPOSAL FACILITIES | 54 - SEWAGE TREATMENT |
| 23 - OTHER UTILITIES | 55 - NEW HOUSING CONSTRUCTION |
| 24 - PUBLIC SERVICES | 56 - LEGAL |
| 25 - REHAB OF PRIVATE RESIDENTIAL PROPERTIES | 57 - 911 EMERGENCY SYSTEMS |
| 26 - REHAB OF PUBLIC RESIDENTIAL PROPERTIES | 58 - HOME Rental Rehabilitation |
| 27 - PAYMENTS FOR LOSS OF RENTAL INCOME | 59 - HOME Owner Rehabilitation |
| 28 - RELOCATION | 60 - HOMEOWNER ASSISTANCE |
| 29 - CODE ENFORCEMENT | 61 - LEAD BASE PAINT REMOVAL |
| 30 - ENERGY USE STRATEGY | 62 - ASBESTOS REMOVAL |
| 31 - NON-FEDERAL SHARE PAYMENT | 63 - JOB TRAINING |
| 32 - INTERIM ASSISTANCE | 64 - HOME-OWNERSHIP COUNSELING |
| | 65 - SUBSTANTIAL RECONSTRUCTION OF PRIVATE RESIDENTIAL PROPERTIES |

2 Ineligible Activities are as follows:

1. Maintenance or Operation Costs**
2. General Government Expenses
3. Political Activities
4. Improvements to City Halls and Courthouses, except those required to meet the American's With Disabilities Act.
5. Purchase of Equipment, except for fire protection, public services, landfills, or recreation
6. Income Payments, except for loss of rental income due to displacement
7. Application Preparation Costs or "bonus" award for writing a successful application
8. Religious Purposes
9. Economic Development (a separate CDBG program is provided for this purpose.)

****Maintenance and Operation Costs:** Any cost that recurs on a regular basis (generally, less than five years) is considered a maintenance or operation cost, therefore ineligible for CDBG assistance. It is the responsibility of the applicant to provide these revenues from user fees or taxes. **Additionally, if such maintenance or operation revenues are not sufficient to adequately support a facility or service assisted by CDBG funds, the project will not be awarded.** The determination whether such revenues are sufficient will be made by the applicant's professional engineer, the Department of Natural Resources (for related projects), and/or DED. The preliminary engineering report required for all public works projects should discuss the revenues available for operation and maintenance of the facility or service. Elections to raise user fees or taxes for operation and maintenance may occur no later than the April, 1998, election date in order to be considered. If an April election issue fails, the application becomes ineligible.

LOW AND MODERATE INCOME (LMI) REQUIREMENTS

Threshold Levels: Each housing activity (except for demolition and some supportive services) must have at least a 100% LMI benefit, and each public facility activity must have at least a 51% LMI benefit. Demolition activities normally will qualify under the slums/blight criteria. For neighborhood development projects, a structure must qualify as infeasible to rehabilitate under the rehabilitation program guidelines in order to meet this criteria.

Definition of LMI: As specified in federal legislation, the U. S. Housing Act of 1937 (called HUD's Section 8 program income guidelines as modified by the Housing and Community Development Act of 1987) shall be used to define low and moderate income for the CDBG program. Generally, it is based on 80% of the county median income, except that very high and very low income areas are somewhat adjusted. The latest income limits for various sizes of families for each county and SMSA in Missouri has not been received by the state from HUD as of the date of this printing. Communities may use the December 1996 limits if they desire to start survey work before release of the new limits. The term "persons of moderate income" has the meaning given the term "lower income", and the term "persons of low income" or "poverty" has

the meaning given the term "very low income" in the Act. The calculation of LMI benefit is to divide the LMI persons benefiting by the total number of persons benefiting. The definition of "benefiting" is the same used in the section titled Maximum CDBG Costs Per Household Benefited found later in this STEP.

Determination of LMI Benefits:

- (1) **City or County-wide Activities:** If an activity benefits an entire city, county, township, or enumeration district, either 1990 census data or a survey may be used to determine low to moderate income benefit. The 1990 census data is available from DED by calling (573) 751-4146. If the census data indicates that the LMI benefit is less than 51%, the applicant may conduct a survey in accordance with the methodology established in herein. Surveys conducted prior to January 1, 1996, are invalid for FY-98 competition. All previously conducted surveys must meet FY-98 criteria to be allowable, i.e., 66% return rate. If beneficiaries extend beyond an applicant's boundaries, i.e., water users, the applicant may use the census data for the city if it is above the 51% LMI requirement, and survey those outside the city limits which must be 51% LMI also since census and survey data cannot be combined. Another option would be to survey all beneficiaries. Regardless of method(s) used, ALL beneficiaries must be included in the LMI determination.
- (2) **Target Area Activities - No Census Data Available:** Since census data is not available for neighborhoods except in cities of 10,000 persons or more, the applicant will be expected to perform a survey to prove LMI benefit in accordance with the standards established herein.
- (3) **Target Area Activities - Census Data Available:** Neighborhoods having census data available for block areas may use the data if it fits exactly the targeted area or a survey may be conducted as in (1) above. Group data is ineligible unless used in entirety. Five points will be deducted from scoring if either census and/or survey data is used which does not match project beneficiaries exactly. Correct data will be requested and must be supplied prior to funding.
- (4) All neighborhood development target area applicants must obtain LMI information on the area, either by census or survey, whether or not the application is for 100% housing.
- (5) For LMI benefit purposes, group homes which require income eligibility for admittance do not need to be surveyed. Divide total persons by 2.54 to determine total number of households eligible.

Low Income Benefit: As required by law, a project may not be designed to benefit moderate income persons to the exclusion of low income persons.

LOW AND MODERATE INCOME LIMITS AND METHODOLOGY

A. Section 8 Guidelines

This section includes HUD's Section 8 Income Limits which are the last issued to date. These must be used in the definition of low and moderate income (LMI) according to federal law. "Income" should be viewed as a family's total annual adjusted gross income as it is defined in HUD's Section 8 Housing Assistance Payments program (24 CFR Part 813). Any person that belongs to an LMI family is considered a low and moderate income person.

For the purpose of the CDBG program, "lower" income as it is used in the Section 8 income guidelines refers to "moderate" income families in CDBG projects. Families that fall below the "very low" income limits are defined as "low" income families for CDBG purposes. The Housing and Community Development Act of 1987 added a provision that permits use of a non-metropolitan income limit "floor" based on the state non-metropolitan median family income level. The income limits implement this provision. Significant changes are noted in many non-metropolitan county limits.

A family which is involved in a business where the finances are interrelated with the family budget (such as a farmer) should consider their "income" as net after expenses, as reported to the Internal Revenue Service.

B. 1997 Annual Competition

To be eligible for funding in the 1998 Missouri Small Cities Community Development Block Grant annual competition, beneficiaries must be documented to be at least 51% low to moderate income. Documentation can either be by 1990 census data provided by HUD (referred to as HUD LMI) or by a survey conducted according to CDBG guidelines outlined below. This criterion applies both to community-wide benefit projects and target-area benefit projects. To document LMI benefit, **census and survey data cannot be mixed**. If a survey has been conducted of the project area according to CDBG guidelines since January 1, 1996, a new survey will not be required if it meets the 1998 requirements, which includes an 66% return rate of the survey. The survey must be conducted according to the following:

- (1) If the proposed project benefit is less than 150 families, a 100% solicitation is required with no less than 66% response rate.

- (2) If the proposed project benefit is more than 150 families, either the survey in method #1 above may be conducted or a random sample survey may be conducted. Communities desiring random survey sampling instructions must contact CDBG prior to initiation.

Administering a Survey:

Decide the method of administering the survey:

- (A) **Door-to-door:** Although the most time consuming, it is by far the most effective in obtaining the highest response rate. Surveys are administered at the residence by an interviewer. The interviewers should have some degree of training before they begin to administer the survey. Training should include techniques of not introducing bias into the survey. This includes question wording, probing to obtain clarification, and recording responses accurately.
- (B) **Modified door-to-door:** In this case, surveys are hand delivered, but the task of completing the survey is left to the resident. Persons responsible for delivery can either wait while the survey is being completed or make arrangements to pick up the survey at a later date. Response rates will be high and interviewer bias remains at a minimum.
- (C) The survey may be by mail. Telephone surveys are not acceptable.

CAUTION: Improperly implemented surveys will result in an application not meeting threshold requirements and receiving points deduction in the rating process and possible ineligibility.

Before the Department of Economic Development will accept an applicant's data on low and moderate income benefits test results of a local income survey, the following criteria must be satisfied:

1. The survey form and methodology used in conducting the survey must be one of the methods approved by DED discussed previously herein.
2. The Survey Tabulation Sheet must prove 51% LMI benefit to families and persons.
3. CDBG will verify survey data of all grantees.

**LMI SURVEY INSTRUMENT
FY-98 ANNUAL COMPETITION
MISSOURI CDBG PROGRAM**

The City/County of _____ is conducting a survey to determine the need for improvements in public facilities, housing, and services. Some of the improvement projects may be eligible for Federal funding. This survey is an eligibility requirement for such funding. Your survey answers will be kept confidential. A public hearing will be held regarding any proposed project prior to the submission of the grant application. You are encouraged to attend this hearing to express your views.

1. Please indicate the number of families (persons related by birth, marriage, or adoption) living at this address (an unrelated individual is considered a one-person family, whether living alone or with another family).

Number of families: _____ Total number of persons: _____

2. How many persons are in each family? #1 _____ #2 _____ #3 _____

3. For each family indicated above, please **check** whether your TOTAL FAMILY ANNUAL INCOME is **Above, Between, or Below** the income figures provided for your family size.

Family Size	Income Limits	Family #1	Family #2	Family #3
1	_____ to _____	Family Size _____	Family Size _____	Family Size _____
2	_____ to _____			
3	_____ to _____	Above _____	Above _____	Above _____
4	_____ to _____	Between _____	Between _____	Between _____
5	_____ to _____	Below _____	Below _____	Below _____
6	_____ to _____			
7	_____ to _____	Note: Between or Below is considered an LMI family.		
8+	_____ to _____			

4. How many persons at this address are:

Female Head of Household? _____ Children under the age of six? _____

Over the age of 65? _____ Handicap/Disabled? _____

5. To help determine the population characteristics of project area, please indicate the **number** of persons at this address who are: (**Note:** Total persons should equal the number of persons stated in item #1 above)

White, not Hispanic _____ Native American/Alaskan Native _____

Black, not Hispanic _____ Asian/Pacific Islander _____

Hispanic _____ Other (specify) _____

6. Date _____ Signature (optional) _____

SURVEY TABULATION SHEET

(Must be submitted with application for 1997 funding)

Family Size	Income Limit	LMI		Non-LMI		Total	
		Families	Persons	Families	Persons	Families	Persons
One Person							
Two Person							
Three Person							
Four Person							
Five Person							
Six Person							
Seven Person							
Eight Person							
TOTALS							

#Surveys Distributed _____ #Surveys Returned _____ Survey Response Rate _____
 %

LMI % from survey: Families _____ Persons _____

Data from Survey:

	<u>Percent</u>	<u>Number (extrapolate to 100%)</u>
Handicapped Persons	_____	_____
Persons aged 65 & over	_____	_____
Female Head of Households	_____	_____
Ethnic/Racial Background	_____	_____
White	_____	_____
Black	_____	_____
Hispanic	_____	_____
American Indian/Alaskan Native	_____	_____
Asian or Pacific Islander	_____	_____

Discuss in detail the survey methodology - who? when? how was the survey conducted - method of coding, absentees, etc.? (Use backside or attach additional sheet, if necessary.)

OTHER PROGRAM REQUIREMENTS

Maximum CDBG Cost Per Household Benefited: In addition to the maximum grant request for a project, the amounts specified below are the maximum CDBG cost per household benefited which may be requested:

Public Facilities Activities	\$ 5,000
Housing Activities	\$12,000

These maximums include the professional services required for the activity, such as engineering and inspection. **Administration, legal, and audit are excluded.** The \$5,000 maximum CDBG cost per household would apply to any single activity proposed, and to the total of all public facility activities proposed (in a neighborhood development project). If a facility which houses several unrelated individuals benefits from an activity (such as a group or nursing home), the total number of persons divided by 2.54 persons shall constitute the equivalent of a household in this computation.

Only those households that receive a direct regular relief from the identified need which is being addressed in the project can be considered as "benefiting" under this rule. In the case of housing rehabilitation and relocation, only the households which reside in the unit can be counted as the beneficiaries. For residential streets and water/sewer lines, only those households adjoining the street and/or connected to the utility services may be counted.

To be counted as beneficiaries of a project, LMI documentation must be obtained.

Performance Requirements -- Past Grantees: Any grantee with a delinquent audit for any year, whether or not the grant is closed, is ineligible to apply for funding. This applies to all CDBG categories. The exception to this is for those counties which have delinquent audits but which are audited by the State Auditor's office. Also, any grantee with an open grant of any kind funded prior to March 17, 1996, is ineligible to apply. The only exception is a community that is currently sponsoring one "on behalf of" grant that is still open and older than two years. Flood grants are exempt from these performance requirements. Five points will be subtracted from the application scoring for any monitoring finding made prior to February 2, 1998, (and notified by February 16, 1998) which is unresolved by March 16, 1997, on any open grant.

Applicable Laws, Regulations, and Executive Orders: Applicants must comply with all applicable state and federal laws, including but not limited to, statutes prohibiting discrimination against persons because of race, color, religion, sex, national origin, disability, and age. These laws, included in the Statement of Assurances, require non-discrimination in the design, construction, and operation of the building and program. By signing the Statement of

Assurances, applicants agree to abide by all applicable laws. Pursuant to federal guidelines, future CDBG funds may be denied to any applicant who uses CDBG funds in a way which violates any of the above laws or any law included in the Statement of Assurances as detailed in the application process.

Contingent Funding: If applicants propose other state, federal, local or private funds (or any other contingency item) in the annual competition which are unconfirmed at the time of application, they will be ineligible for FY-97 funds (with the exception of an April election necessary for funding the local portion of the proposed project.) No contingent awards will be made in the FY-97 Annual Competition.

Contingencies referred to include, but are not limited to, the formation of districts, intergovernmental agreements, purchase agreements, annexations, bond issues or tax/fee increase elections (after April, 1997), RD, EPA, DNR, or Federal Highway funds. Bonds are not required to be sold to be eligible, but commitment for purchase must be "in hand" for any issues other than private market (i.e., RD).

For applicants leveraging funds with the DNR wastewater SRF program and the pending DNR water DRF program inclusion on the Intended Use Plan is required before application submission to CDBG. CDBG will reject any applicant listing SRF funding as a source that is not on the IUP. We reserve the right to eliminate any application that lists SRF funding but is rejected by the Commission(s) annual approval as well.

For applicants proposing Rural Development funds either a Letter of Conditions or a Letter of Intent to Fund must be attached to the application. (The major difference between the two Letters pertains to the completion of the NEPA requirements by RD.)

Economic Development - Related Improvements: DED has established a separate CDBG program category for economic development projects; therefore, it is not appropriate to propose such projects in the Annual Competition. Obviously, some public facilities activities may directly or indirectly alleviate deficiencies in commercial or industrial areas, such as drainage, water or sewer improvements and these should be noted in the Narrative section regarding Project Impact and related spin-offs. However, the primary purpose of the Annual Competition is for residential improvements. As a general rule, a project is economic development related if the primary purpose of an activity is to: (a) encourage the creation or retention of jobs; (b) encourage investment in commercial or industrial facilities; or (c) the area that will benefit is composed of at least 25% commercial or industrial use, including areas that are not yet developed, but will eventually be used for these purposes.

Acquisition and Relocation Regulations: Regulations governing the CDBG program emphasize anti-displacement of households. However, if displacement is necessary to carry out the project, relocation assistance must be offered to persons displaced by rehabilitation, private acquisition, demolition, and the conversions of units to uses other than low-to-moderate income

dwelling units. Grantees will be required to replace every occupied unit, or one that has been occupied within the previous 12-month period, that is demolished or converted with CDBG funds on a one-for-one basis within three years. Government-assisted units may be used as replacement units. An exception to the one-for-one rule is available where the grantor has determined that an adequate supply of habitable, affordable LMI units exist in the grantee's jurisdiction. Applicants are required to submit a plan of agreement to the requirements of anti-displacement with the 1997 application. Section 104(d) of the Housing and Community Development Act, as amended is located in Appendix C. Grantees will be required to submit a grant-specific one-for-one housing replacement and relocation assistance plan to the state before obligating or expending funds for any activity that requires the provision of replacement housing. An applicant should contact DED for clarification of the regulations if further information is needed.

You should be generally familiar with the regulations that the State and Federal governments have attached to the program which must be complied with if your project is awarded CDBG funds. The rules include procurement, labor standards, civil rights, fair housing, environmental review, financial recordkeeping and reporting, property acquisition, contracting, and others.

Administrative Methods: There are three different methods that have been used to administer CDBG programs:

The first method is the use of existing staff members. If persons presently on staff have sufficient time to devote to administering the grant, then this method is preferable if those persons are adequately qualified. However, CDBG funds cannot be used to replace salaries or expenses which previously had been paid by the grantee. Also, NO CITY EMPLOYEE, ELECTED OR EMPLOYED, CAN BE CONTRACTED WITH TO PERFORM ANY PORTION OF A GRANT, either by the grantee or by an outside firm.

The second method is the hiring of new staff members. Applicants proposing this method should consider that training a new staff member may cause a delay in program implementation, and it may be difficult to find qualified persons for temporary, perhaps part-time, positions. There is no guarantee an applicant will receive funds on an ongoing year-to-year basis.

The third method of administering the grant is to contract with an outside firm or agency. If CDBG funds are used to pay for administrative services review Step 4. Engineering firms may qualify to administer a grant. However, the same firm or any principal or employee thereof, cannot perform both engineering and administration regardless of the source of payment.

Every grant must be administered by a competent person, whether city personnel or private firms, who will properly oversee the requirements set forth by the federal law and state regulations.

Activities: Depending on the scope of the project, administrative activities could include the environmental review, files management, civil rights and fair housing compliance, labor standards enforcement, procurement, property management, acquisition procedures, contract management,

housing rehabilitation management (not including inspection), legal costs, public notices, close-out procedures, and other activities. Such actions may be divided among existing staff members, consultants, and engineers in any manner, as desired by the grantee. An outside firm may not approve work on behalf of the grantee which was performed by employees of the same firm. Responsibilities should be spelled out in any contract entered into. Even if an outside administrator is selected, the grantee has the responsibility of seeing that the grant is carried out properly and retains liability for the grant. The grantee shall always maintain the financial management responsibilities of the grant. This portion cannot be contracted to an outside administrative service.

STEP 3 SELECT YOUR GRANT WRITER/PRELIMINARY ENGINEER

A community's selection of a grant writer or an engineer to provide the Preliminary Engineering Report is not the same as selecting an administrator for the project or a design engineer for the project. The importance, however, remains a high priority since the application is the document that presents the community's need for funding, and the engineering report determines, among other things, the best estimate of what the project may cost. A less than perfect application or preliminary engineering report can be disastrous for the community.

The choices for these services and the responsibility for payment belong to the community. CDBG has no restrictions on who may prepare your application and the only restriction regarding your choice of engineers is that he/she must be a registered (in Missouri) professional engineer.

The costs associated with services to assist the community in the application preparation are NOT eligible costs to be recaptured from CDBG. They may, however, be included in the community's cash match or in-kind (if the employee of the community writes the application).

CDBG also has no restriction regarding the responsibility for completion of specific parts of an application if a community chooses to separate the parts. The Chief Elected Official and Budget Officer must understand their responsibility for the accuracy of all documents in the application for which they are required to sign.

A community should review its own purchase/procurement criteria when looking for the services of a grant writer and/or preliminary engineer.

A preliminary report must be prepared by a registered professional engineer for any public facility improvement, or by a registered architect for the construction or rehabilitation of a building, except for residential rehabilitation. The report must be sufficient in scope to analyze the need; determine the most appropriate solution; provide a cost estimate; and determine the level of operation/maintenance necessary to perpetuate the improvement. Reports for water improvements must conform to 10 CSR 60-10; for sewer, according to DNR requirements; plus published design guidelines set forth by DNR. Three copies of the report must be sent **with the application to DED by March 17, 1997**. See Section 5 for more specific requirements.

CDBG-assisted public works projects must be reviewed by a registered professional engineer or architect, as appropriate. Such review will consist of a preliminary engineering report sufficient in scope to analyze the need, determine the most appropriate solution, provide estimated costs, and recommend the required level of funds for operation and maintenance of the facility, if appropriate.

All projects involving water facilities must conform to the preliminary engineering report requirements as set forth in 10 CSR 60-10. Reports for sanitary sewer facilities must meet the

standards included below. Additionally, such reports must conform to published design guidelines as set forth by the Department of Natural Resources (DNR).

Three copies of the preliminary engineering report must be submitted with the application. Please do not bind. Do not staple to application. Also, do not send the reports to DNR regional or state offices. DED will distribute a copy of the report to the appropriate review agencies, if applicable. Clearly identify the following in the water, drainage, and solid waste reports - (for sewers, see below):

1. Name of the applicant or owner of the facility;
2. Name, address, telephone of the engineering company;
3. Date of review;
4. If the scope of the report includes more activities than the proposed CDBG project, clearly identify the CDBG project portion;
5. Age of the facility;
6. Cause of the problem;
7. Analysis of operation, maintenance, and replacement budget;
8. Documentation of the problem;
9. Discussion of the options, and justification for proposed solution; and
10. Estimated costs.

For further information regarding the scope of the report, contact your regional or state DNR office (water, drainage or solid waste activities) or DED (other activities). It is recommended that each applicant proposing significant water, sewer, drainage or solid waste activities discuss the proposed project with their DNR regional office prior to submitting the preliminary engineering report to prevent any disagreement in the design of the project.

Engineering Report for Wastewater Facilities

A project proposing new, expanded, upgraded or rehabilitated wastewater treatment facilities requires an engineering report completed by a registered professional engineer in accordance with the Department of Natural Resources (DNR) Rule for Waste Treatment Design.

Section (4) of 10 CSR 10-8.110 establishes the requirements for these engineering reports. A copy of an Environmental Protection Agency or State Construction Grant-related engineering report should be submitted with the application, if applicable. The portion of the project proposed for block grant funding and its relationship to the proposed EPA or SCG project must be identified. Cost estimates should be broken into EPA or SCG-eligible and CDBG-eligible sections. Specific health and safety problems to be corrected by the portion of the project proposed for block grant funding must be provided. Problems such as sewer backups, bypasses, septic system failures, complaints and violations must be documented.

Projects proposing collection and interceptor sewer projects must be completed by a registered professional engineer and contain the following information at a minimum:

- I. **Introduction:** The introduction should address the need for the project. Specific health and safety problems to be corrected must be discussed. Problems such as sewer backups, bypasses, septic system failures, complaints and violations should be documented.
- II. **Flow and Waste Load Forecast:** The anticipated flow and waste load for the existing and ultimate conditions must be established. The basis of the projection of initial and future flow and waste load should be included.
- III. **Existing Public Wastewater Facilities Evaluation:** The impact of the proposed project on all existing wastewater facilities, including gravity sewers, lift stations and treatment facilities must be evaluated.
- IV. **Project Description and Design Criteria:** A written description of the project and maps identifying the site of the project and anticipated location and alignment of proposed facilities is required. Engineering criteria to be used in design of the project should be discussed.
- V. **Cost Estimate:** The cost estimate must include a construction cost breakdown based on projected quantities and unit prices. A total estimated project cost including engineering, administration, property and easement acquisition, contingency and any other necessary project costs must be included.
- VI. **Project Strategy:** The reasons for selection of the proposed alternative, how it is feasible and appropriate, and how it fits into a reasonable long term plan should be discussed.

NOTE: Utilization of the above format is optional; however, the information outlined is considered the minimum necessary to evaluate projects.

STEP 4 REVIEW THE OPTIONAL ADMINISTRATIVE AND ENGINEER PRE- SELECTION PROCESS

The choice of who administers and engineers your project is not one's choice but yours. It might very well be the most important decision you make. If you intend to ask CDBG to pay for all or a portion of the fees, then you must follow some rules.

You may select a firm which will provide engineering, administrative, or other professional services for your project prior to the preparation of your application, if needed. If you plan to use CDBG funds to pay for professional services, a standard procedure is required for recruitment and selection. It is extremely important that you understand fully the complete procurement procedure. Any variation may affect your access to those funds at the point that your project is funded.

A contract may not be signed incurring CDBG funds prior to grant award, unless a statement is included which states the contract is contingent on CDBG funding. The community must protect itself from any obligation in the event that CDBG funds are not awarded. The same firm or any employee or principal thereof cannot provide both administrative and engineering services. Some firms may require a fee to assist in preparation of an application, and if so, such costs are not CDBG eligible but may be used for local cash match.

Applicability: Professional services that are often used for CDBG projects and apply to the provisions of this section include administration, housing rehabilitation inspection/management, relocation management, engineering, land surveying, architectural, auditing, cultural resource surveys, legal, and possibly others. Applicants must comply with RSMo 1983, Section 8.285-8.291, in the procurement of architectural, land surveying, or engineering services, unless the applicant has adopted its own procedure. New procurement regulations went into effect April 19, 1995. The State Block Grant program has adopted these new rules, Public Law 103-355 EXCEPT the maximum allowance for small purchases shall remain at \$25,000. Procurement, as discussed in PL 103.355, must be complied with if CDBG funds are involved in the compensation of professional services. No engineering firm or any principal or employee thereof can perform both administrative and engineering services on a grant, regardless of the source of payment of either. If pre-selection of administrative or engineering services is conducted, and CDBG funds will pay for any of the service, the contract should contain the wording that the award is contingent upon receipt of grant funds. DED is in no manner responsible for any contracted amount.

Grant Administration Services:

1. The community must fully understand the definition of the term “lowest and most responsive” bidder. The statute says that communities base the selection of their desired professional services on the combination of the lowest (referring to price or cost) and most responsive (referring to the individual/firm who offers the best qualifications in regard to the evaluation factors that the community decided were important).
2. The community must determine which evaluation factors (from the list found on the sample Request for Proposals) are the most important to their circumstances. This could take the form of applying a point scoring system to each evaluation factor and subsequently giving bidders points based upon their responses. Example: experience of bidder = 17 points; past record = 7 points; capacity to complete the assignment = 6 points; proximity to the job = 3 points; and cost = 20 points. (In this example cost equals 40% of the rating, which represents a typical average.) If the point scoring system is applied to each bidder, the community would then determine the lowest and most responsive using a fair system.
Note: Since a community may ultimately select a firm who may not be the lowest bidder, their selection criteria (the weighting of the importance of the factors) becomes the record of their process. It must be logical and must support the final decision. Indications of arbitrary decisions will result in questions regarding the procurement by CDBG Field Representatives and possibly by project auditors.
3. Once the importance of the evaluation factors have been determined a Request for Proposals for Proposals must be drafted. This Request tells potential bidders what you are looking for and allows them to respond in turn.
4. In order to comply with new CDBG policy, a copy of the RFP must be made available to the area regional planning commission as well as ALL grant administrators as stated on the published CDBG administrator list IN ADDITION to all other proper procurement procedures. Failure to follow required procurement procedures will either disallow the use of CDBG funds to pay for the service or the process will have to be repeated correctly.
5. Activities to ensure a broad solicitation of all other known or existing firms capable of completing the work must also be made. This may take the form of a publication in a newspaper or further solicitation via the mail.
6. Attention must be made to directly solicit MBE and WBE firms as required by law. Note that all of these steps are the communities attempt to receive 3 or more responses which is the ultimate goal.
7. The Request for Proposals (a sample of which is provided herein) should also generally describe the scope of the work that the bidder will be expected to perform.

8. The Request for Proposals should include a deadline date for receipt of any or all bids (eg. December 11, 1998 at 5:00pm). The community should not entertain any bids after the deadline. An adequate amount of time for all bidders to prepare a bid and respond should be built into the schedule.
9. Once all bids have been received REFERENCES SHOULD BE CHECKED. THE ONLY WAY FOR A COMMUNITY TO SECURE GOOD INFORMATION ABOUT HOW A PERSON OR A FIRM PERFORMED SIMILAR ADMINISTRATIVE DUTIES IS TO CALL THE OTHER CITIES AND COUNTIES FOR WHICH THEY HAVE PERFORMED THE SERVICE AND ASK FOR THEIR OPINION. CDBG staff can not and will not provide comments regarding the administrative performance of any person or firm.
10. Apply the established evaluation point criteria.
11. Determine the lowest and most responsive bidder.

Execute an appropriate contract and remember, if the contract is executed as part of a pre-selection process (prior to award announcements by CDBG) there must be included a clause which makes payment contingent upon the receipt of the CDBG grant award.

Grant Engineering Design and Inspection Services: The process for selecting an engineer to design and inspect your project requires a little different process than the one described for administration. Cost or price is not a factor in the initial selection process of an engineer and therefore a Request for Qualifications is used to solicit bids. Here, the community can see just how important the choices made for the evaluation factors (experience, technical expertise, competence, capacity, capability, past record, cost controls, quality of work, ability to meet schedules, proximity to area, familiarity with area, etc.) becomes in the process.

1. Once again, determine evaluation factors.
2. Apply scoring.
3. Draft a Request for Qualifications.
4. Solicit in a broad enough manner to gain at least 3 responses.
5. Remember to directly solicit MBE and WBE firms as required by law.
6. Include the Scope of Work in the RFQ.
7. Include a deadline for receipt of bids in the RFQ.
8. Allow an adequate amount of time for bid preparation and response.
9. Once the bids have been received CHECK REFERENCES.
10. Apply the pre-established evaluation point criteria to each bid.
11. Determine the most responsive bidder.
12. Once this stage has been completed and adequately documented an interview and negotiation process may begin with the engineering firm who rated the highest per your criteria. The fact that cost is not a factor of the RFQ process does not disallow the community from discussing cost prior to the initiation of a formal contract. It is important for the community to negotiate the cost which they feel is: 1) a fair and just amount relevant to the work required, and 2)

within their capacity to pay (budgeted). In the event that negotiations fail, the community has no obligation to enter into a contract simply because the engineer was the highest rated. If they wish to eliminate the firm they may document the failed negotiation and move to the next highest on their list. A community may NOT initiate a bidding war between two engineering firms and they may NOT demand more of one firm than others.

13. Enter into the appropriate contract and remember, if the process is pre-selection, then include the clause that payment is contingent upon award of grant funds.

Additional Professional Services Procurement Procedures: The following procurement procedure complies with PL 103-355, plus contains other required CDBG provisions:

- 1) A request for proposals (RFP) will be publicized and identify all evaluation factors and their relative importance. Even if newspaper publication is used, documentation must be kept proving solicitation of adequate number of qualified sources. (A sample RFP is presented below.) Special efforts must be made to attract RFP's from minority and female-owned firms by sending them a notice by certified mail. Competitors in the selection cannot carry out the procurement procedures; doing so could result in disqualification. If engineering and administrative services are advertised together, wording should be specific for each service.
- 2) The request for proposals should generally describe the **scope of work** that the firm will be expected to perform as well as the significant evaluation factors and their relative importance. Evaluation factors should include:
 - a) The specialized experience and technical competence of the firm with respect to the type of services required;
 - b) The capacity and capability of the firm to perform the work in question, including specialized services, within the time limitations fixed for the completion of the project;
 - c) The past record of performance of the firm with respect to such factors as control of costs, quality of work, and ability to meet schedules;
 - d) The firm's proximity to and familiarity with the area in which project is located;
 - e) Except for engineering and architectural professional services, price must be an evaluation factor The importance of each of the above factors should be stated in the publicized notice.

The grantee or subgrantee will have a method for conducting technical evaluations of the proposals received and for selecting awardees.

- 3) If the scope of work to be performed includes work involved in the preparation of a CDBG application, it should be clear whether or not the community will pay for those services, and the amount. (Application preparation services may not be financed with CDBG funds but may be considered as eligible local matching funds.) Cost plus a percentage of cost and percentage of construction cost method of contracting cannot be used. A cost plus fixed fee (with a maximum amount) or lump sum basis contract is recommended. Payments on any contract should not be pro-rated per month. Payments should be made based on services performed or a percentage after milestones in the grant.

- 4) The above procedures and the basis of selection of the successful firm should be in written form for file documentation.
- 5) If fewer than three proposals are received on any procurement, approval to award the contract must be obtained from DED. If only one proposal is received on any solicitation throughout the grant period all procurement documentation must be mailed to the CDBG field representative for written approval to award.
- 6) A contract should be entered into (after the selection is made) which states the terms and conditions of the agreement, and the scope of work. DED suggests using NSPE Agreement # 1910-1, Standard Form of Agreement between Owner and Engineer for Professional Services, which should be available through the engineer, or DED's Model Contract for Administrative Services, which is available from DED upon request.
- 7) All unsuccessful bidders must be notified in writing after an award is made, and copies must be kept for verification.

Existing Contracts: A previously existing contract for professional services cannot be **extended** to cover a new project. The exception to this might be a one-year extension of an engineering or administrative contract if the project applied for is basically the same as the previous year. Retained professional services require review by DED to determine eligibility for payment. Procurement documentation must be available.

Maximum Fees:

(1) **Engineering Design:** The American Society of Civil Engineers Manual No. 45 describes the percentage of construction cost method of compensation. The curves indicated in the ASCE Manual will be used as a guide to the maximum cost allowable. While the State may use this as a method of determining the amount of funds allowed to a city/county grantee, the grantee may not use these curves as the only basis for determining the compensation of an engineering firm. DED suggests using either a cost plus a fixed fee, with a maximum amount, or a lump sum, as described in the ASCE manual. DED will pay for engineering design and inspection on CDBG construction monies only.

TABLE A (below) indicates projects of an above-average complexity, which includes water treatment plants, complex bridges, pumping stations, intercepting and relief sewers, sanitary sewer lines under 24 inches diameter, and water distribution lines under 16 inches diameter.

TABLE B (below) indicates projects of average complexity, which include conventional bridges, roads and streets, storm sewers and drains, sanitary sewers 24 inches and larger diameter, and water distribution lines 16 inches and larger diameter.

NET CONSTRUCTION COST	TABLE A %	TABLE B %
\$ 40,000	13.67	10.27
50,000	13.22	9.99
60,000	12.76	9.71
70,000	12.43	9.52
80,000	12.10	9.32
90,000	11.87	9.17
100,000	11.63	9.01
150,000	10.44	8.56
200,000	10.25	8.11
250,000	9.85	7.85
300,000	9.45	7.59
350,000	9.18	7.42
400,000	8.91	7.24
450,000	8.72	7.12
500,000	8.52	7.00
550,000	8.38	6.90
600,000	8.24	6.80

(2) **Construction Inspection:** Construction inspection costs will be limited to a maximum 75% of CDBG-funded engineering design costs.

(3) **Administration Services:** For the purpose of budgeting an application, applicants may not propose more than \$8,000 plus 3% of the amount of CDBG funds proposed for public facilities/public project activities, and 6% of the amount of CDBG funds proposed for housing activities. Construction line items are for construction only; acquisition line items are for purchase price, appraisal costs, title fees, recording fees, and closing costs; relocation is a separate line item; housing inspection is for actual inspection costs.

Administrative line items include all publishing fees, all rehabilitation management, etc. Therefore, grantees should not contract for the total administrative amount unless the administrator is to pay for all such items or the grantee has agreed to pay for such items. Audit costs are budgeted separately from administrative costs. Also, applicants should not budget for a

cultural resource survey. (The maximum amount of CDBG funds allowable for clearance of Historic Preservation requirements is \$5,000. These monies will be awarded as a grant increase once services are procured and amount needed is known.) DED will not release more than 25% administration funds after Removal of Grant Conditions, 50% after first drawdown of funds for construction, 75% after 50% construction, or 90% administrative cost prior to receipt of final close-out paperwork (with the exception of the audit) and clearance of final monitoring findings.

- (4) **Rehabilitation Inspection/Relocation Management**: Rehabilitation inspection or relocation management is limited to an average of \$600 per unit.

(SAMPLE)

REQUEST FOR PROPOSALS

PROFESSIONAL ADMINISTRATION SERVICES

The city of Anytown requests proposals for administration services from to assist in a proposed project financed with \$250,000 in Community Development Block Grant (CDBG) funds. The remainder of the project is being financed by the city's \$300,000 bond issue. The project consists of replacement of 4,500 l.f. of 6" municipal water distribution lines and construction of a 150,000 gallon elevated storage tank.

Administration services shall include, but are not limited to, the implementation of the project in conformance with the following CDBG compliance areas: environmental review, budgeting, procurement, labor standards, equal opportunity/civil rights, citizen participation, and acquisition/relocation, close-out.

Information provided to the city shall include:

- (a) The specialized experience and technical competence of the firm with respect to grant administration and related work;
 - (b) The past record of performance of the firm with respect to such factors as accessibility to clients, quality of work, and ability to meet schedules;
 - (c) The firm's proximity to and familiarity with the area in which the project is located;
 - (d) Capability of carrying out all aspects of grant related activities;
 - (e) Cost of services; and
 - (f) References from previous clients of related work with the firm within the past five years.
- (a) (b), and (d) above shall receive priority weighting in final selection.

The above information should be submitted no later than June 30, 1997, 5:00 p.m., City Hall, 111 First Street, Anytown, MO 66000. For more information contact City Clerk at 555-555-5555. The city of Anytown is an Equal Opportunity Employer, and invites the submission of proposals from minority and women-owned firms.

(SAMPLE)
REQUEST FOR QUALIFICATIONS
PROFESSIONAL ENGINEERING SERVICES

The city of Laketown requests qualifications for engineering design services to assist in a proposed CDBG project financed with federal funds. The city intends to provide improvements to their municipal water distribution system. Information provided to the city must include:

- (a) The specialized experience and technical competence of the firm with respect to water system improvements or related work;
- (b) The capacity and capability of the firm to perform the work in question, including specialized services, within a period of twelve months beginning June 1, 1997;
- (c) The past record of performance of the firm with respect to such factors as control of costs, quality of work, and ability to meet schedules;
- (d) The firm's proximity to and familiarity with the area in which the project is located; and
- (e) References from previous clients of related work with the firm within the past five years.

Ability to begin work immediately and guarantee submittal to DNR within twelve months plus (c) above shall receive primary consideration. For more information, contact William Brown at 999/999-9999. This information should be submitted no later than January 1, 1997, 5:00 p.m., at Laketown City Hall.

The city of Laketown is an Equal Opportunity Employer, and invites the submission of qualifications from minority and women-owned firms.

STEP 5 CONSULT WITH THE DEPARTMENT OF NATURAL RESOURCES REGIONAL OFFICE

CDBG cannot stress enough the importance for communities proposing water or wastewater improvements to contact and consult with DNR's regional offices prior to the CDBG application deadline.

You must remember that DNR is the state's regulatory permitting agency. The opinion of the engineers who know your area and your needs best should be a part of the planning process for your community and the proposal process for your application to CDBG. If DNR does not agree with your design or your proposed solution to your problem the likelihood of your project facing permit delays may become a reality. By contacting the office during the planning process, all parties are given time to work toward the optimal solution.

CDBG relies upon the comments of the regional office staff to assist us in determining the project impact portion of our scoring system. It is a service that the Department of Natural Resources provides to the Department of Economic Development in the best interest of serving the water and wastewater needs of Missouri communities. We take seriously their comments and recommendations and as the state's engineers we urge the communities to engage them in conversation regarding your water and wastewater needs.

Please understand that the final selection of a community for funding is the sole responsibility of the CDBG program. The fact that we incorporate the comments of DNR staff into our rating system places full responsibility for particular scores on CDBG. Any problems that unsuccessful applicants may have with the scoring should be directed to CDBG, not DNR.

STEP 6 COMPLETE YOUR BUDGET PACKAGE

Determine the ability of the community to finance the priority needs using surplus or reserve funds, capital improvement funds, or debt. The maximum amount of local funds should be used to finance a project before CDBG assistance is requested.

All other funding sources applicable to the project should be pursued prior to requesting CDBG assistance. Actual approval of the other funding must have been gained by the time a CDBG application is submitted if requesting 1997 funds. The only allowable exception is an April, 1997, election for bond approval or tax/user fee increase.

Review the Contingent Funding requirements listed in STEP 2.

Local Funds for Private Sources: State law does not allow political subdivisions to provide funds from their resources for private purposes (such as housing rehabilitation); however, this would not apply to the administrative or oversight functions of such activities. Discussions in this section relating to the inclusion of local funds in a project would not be applicable to housing rehabilitation or relocation activities.

Other Public Facilities Funding Sources: Applicants generally may not use CDBG funds to replace funds from another agency or other sources that are available for a project. All applicable state or federal programs must be considered for feasibility by the applicant prior to requesting CDBG funds. Such other sources for public facilities include, but are not limited to:

- (1) Rural Development (formerly Farmers Home Administration);
- (2) Missouri Department of Natural Resources (DNR), Division of Environmental Quality (DEQ);
- (3) Missouri Department of Highways and Transportation (MHTD), Bridge Replacement and Rehabilitation Program;
- (4) Missouri DNR, Division of Parks and Historic Preservation, Land and Water Conservation Fund (LWCF).

Other Neighborhood Development Funding Sources: When considering strategies in revitalizing a neighborhood, other possible funding sources include the following:

HOME Rental Rehabilitation Funds: Contact MHDC (Missouri Housing Development Commission) for HOME Rental Rehabilitation Program funds at (816) 759-6600. The program is targeted toward very low income persons. MHDC calculates a subsidy based on a gap financing approach and funds are available directly to project owners.

RD Site Loans: Loans made by USDA Rural Development to public bodies or not for profit entities to buy and develop lots to sell to LMI applicants at cost. Call the State office at (573) 876-0990.

RD Housing Preservation Grant Program: This program provides grant funds to regional organizations and local units of government to assist in the rehabilitation of owner-occupied and rental housing units. The programs operate very similar to the CDBG program and have been used successfully along with CDBG funds in several cities. The program has a competitive funding cycle. Call the state office at (573) 876-0990.

RD Direct Housing Loan: Loans made by USDA Rural Development to LMI applicants to buy or build homes – payments are subsidized. Call the state office at (573) 876-0990.

Section 504 Loan/Grant Program: RD provides loans and/or grants to eligible very low income property owners to rehabilitate their housing. Owners apply directly to the RD office for assistance. For further information, call the state office at (573) 876-0990 or your local RD office.

Low Income Weatherization Program: Funds are provided by Community Action and other regional organizations for weatherizing properties occupied by low income persons. The program generally requires some coordination to establish a project priority with the administering agency. Activities are generally accomplished by the administering agency. For more information, please contact the Department of Natural Resources Division of Energy at (573) 751-7056 and your local administering agency.

Habitat for Humanity: This organization acts as a conduit for attracting donations and adequate volunteer labor as necessary to provide housing to very low income needy households. The program can be used in communities, where the organization exists, to construct or rehabilitate one or two houses in a targeted neighborhood. Contact your local Habitat for Humanity chapter for more information.

Self Help Housing Loans: Loans made by USDA Rural Development to a group of housing applicants who agree to work together to build their own homes. Call the state office at (573) 876-0990.

MHDC Tax Credit Programs: MHDC administers a Low Income Housing Tax Credit (LIHTC) program targeted toward very low income housing. For more information please contact MHDC at (816) 759-6600.

MHDC Mortgage Credit Certificate Program: Provides a federal tax credit for first time homebuyers. Call MHDC at (816) 759-6600.

MHDC Rental Housing Production: Provides loan funds for the acquisition, rehabilitation, and new construction of low income housing units. The program provides grants/loans/or a combination to for-profit, non-profit or public entities. Priority is given to addressing lowest income groups and/or special at-risk groups. Call MHDC at (816) 759-6600.

MHDC Single-Family Downpayment Assistance Program: The purpose of the program is to provide a second mortgage for the downpayment of low and moderate-income first-time borrowers to make them eligible to receive a single-family loan. (Displaced homemakers and single parents are excluded from the first-time homebuyers requirement.) Contact MHDC at (816) 759-6600.

Federal Home Loan Bank's Affordable Housing Program: Provides advances to Savings and Loans to provide grant or loan funds for a variety of purposes and innovative programs, including rehabilitation of owner-occupied and rental property in targeted areas. The funds must be highly leveraged with CDBG or other funds. Funds are provided in a competition that occurs at least biannually. The program has been used by some cities that prepare an application for a Savings and Loan to send to the Federal Home Loan Bank in Des Moines. For more information, call (515) 281-1014.

HOPE II and III Planning and Implementation Grants: Provides funds for planning and implementing home ownership programs for both multi-family and single-family housing. Funds may be used for acquisition of homes for sale to eligible first-time home-buyers. Activities may include rehabilitation of the properties, relocation of the owners to the properties, etc. The funds require a 33% match from non-federal sources. Administration is an eligible activity. For more information, contact the HUD Office at (913) 551-5524 for HOPE II and (913) 551-5486 for HOPE III.

Please note: DED requires that a firm commitment of funds for your Neighborhood Development program be available before a possible 10 points in local matching funds are awarded.

STEP 7 HOLD YOUR PUBLIC HEARING

Eligible Dates: A public hearing must be held prior to the submission of an application. This must be at least 15 full days or not more than six months prior to application deadline. The applicant must publish a notice in a local newspaper at least 5 full days prior to the hearing. A standard format must be used for the notice, and a record of the proceedings of the hearing must be made. A sample public hearing notice follows.

Citizen Participation: All applicants for and recipients of Community Development Block Grant funds shall be required to conduct all aspects of the Community Development Program in an open manner with access to records on the proposed and actual use of funds for all interested persons. All records of applications must be kept at the applicant's office and be available during normal working hours. Any activity of the Community Development Program, with the exception of confidential matters relating to the housing rehabilitation and economic development programs, shall be open to examination by all citizens.

The applicant must provide technical assistance at the level of expertise available at City Hall to groups representative of persons of low and moderate income that request such assistance in developing proposals. All application materials and instructions shall be provided at no cost to any such group requesting same.

Citizens shall be provided adequate and timely information, so as to enable them to be meaningfully involved in important decisions at the various stages of the program including at least (1) the development of needs, (2) the review of the proposed activities, and (3) review of past program performance, in the following manner:

- 1) At least one public hearing shall be held prior to an application being submitted to the State for funding through the Annual Competition program. This hearing shall be scheduled at a time and location felt to be most likely to make it possible for the majority of interested citizens to attend without undue inconvenience. Items (1) and (2) above must be addressed at this hearing as reflected by the minutes thereof. The hearing shall be held no less than 15 full days * (or more than six months) prior to the deadline. Item (3) must be addressed in another public hearing prior to close-out. Proof of this hearing will be part of close-out documentation.
- 2) Notification of any and all hearings shall be given a minimum of five full days* in advance to allow citizens the opportunity to schedule attendance. Said notification shall be in the form of display-type advertisements in the local newspaper with greatest distribution. This is not to be placed in legal section. Additional advertisement may be conducted by posting, letters, flyers, and any other forms which seem practical; however, publication is required minimum. All hearings must be accessible to people with disabilities.

Provisions for interpretation shall be made available at all public hearings for non-English speaking residents, if 15% or more of such residents are expected to be in attendance.

- * For the purpose of this process, "full days" is defined as neither day being counted on either end of the time period; i.e., fifteen full days before application deadline (March 16) would be February 27 and five full days would actually be seven days since beginning and ending days cannot be counted.

PUBLIC HEARING NOTICE

As stated above, the public hearing must address the development of the applicant's community development needs and proposed activities to be contained in the application. Minutes of all public hearings should be maintained indicating topics covered in order to document grant requirements. The newspaper notice must include the following information:

- (a) the city/county intends to submit an application for CDBG funds;
- (b) the maximum grant amount is \$500,000 for public facilities/public projects or \$600,000 for neighborhood development projects; the program is highly competitive;
- (c) the type of activities that may be undertaken include the improvement of public works, facilities, and site improvements; housing rehabilitation; and others as allowed by law;
- (d) at least 51% of the funds must be used to benefit low and moderate income persons;
- (e) there will be minimization of displacement of persons resulting from the program; and assistance to any displaced persons would be provided according to the Uniform Relocation and Real Property Acquisition Act of 1970 as amended, Section 104(d), Section 104(k), or Section 105(a)(11) of the Title I Act;
- (f) the city/county is soliciting citizen input on the entity's on-going community development needs;
- (g) description of proposed project for which the city is applying;
- (h) total project cost, including amount being applied for, other state/federal funds, local contribution proposed;
- (I) specific location of project; either community-wide or boundaries (by name) of target area;
- (j) percent of low/moderate income benefit of the proposed project (if known), or at least 51%; and
- (k) encouragement of target area residents to attend.

SAMPLE PUBLIC HEARING NOTICE

The city of Springville will hold a public hearing on January 3, 1998, 7:00 p.m. at City Hall to discuss the city's submission of an application for the Fiscal Year 1998 Community Development Block Grant (CDBG) program. The city is interested in obtaining all citizens' input on community development needs within the city. As part of the hearing process citizens will be asked to verbally assist in the completion of a Needs Assessment document. The document will show CDBG what the residents feel are the strengths and weaknesses of the community. The city needs and much local participation as possible in order to reflect the true desires of the community as a whole, as well as the comments relating to the proposed project application. The program is highly competitive, as usually only one of six applications submitted receives funding. The maximum grant that may be requested is \$500,000 for public facilities/public projects and \$600,000 for neighborhood development projects. Activities that are eligible for funding include the improvement of public works, facilities, and site improvements; housing rehabilitation; and others allowed by law. At least 51% of the funds must be used to benefit low-and-moderate income persons. No displacement of persons will be proposed.

The city is proposing to replace some sewer lines, and install some new sewer lines and lift station in the southeast part of the city. The area to be addressed is bounded by Main Street on the east, Gordon Street on the west, BN Railroad on the north, and City Limits on the south. The total project cost is estimated at \$322,000. The city proposes to contribute \$48,000 in cash, \$45,000 in-kind labor by city crews, with grant funds of \$229,000 needed to make up the balance. The project, if funded, will benefit 57% low/moderate income persons. All citizens, including those in the targeted area, are encouraged to attend in order to comment on the proposed activities.

For more information on the proposed project, contact Jane Doe at 314/888-8888.

STEP 8 DISCUSS PROJECT WITH CDBG STAFF

This step is optional for the applicant. The CDBG staff is available, however, to discuss any questions that a community or grant writer may have regarding the proposed project and/or the application.

Since our rating system does not allow for the Field Representative to rate applications that fall within their respective field area, they may provide as much technical assistance to the community as desired.

Often, a Field Representative can provide a perspective that as a project rater, communities may miss and important points may be left out of an application. At the same time, the Field Representatives can offer specific answers regarding what exact information must be supplied on any particular document.

For consistency, we suggest that any questions pertaining to survey work (particularly random surveys) be directed to Allen Kunkel, Field Services Coordinator, and, any questions pertaining to financial or budget work (Form C) be directed to Andy Papen, Financial Analyst. All other questions may be answered by your area Field Representative.

STEP 9 COMPLETE AND SUBMIT YOUR APPLICATION

Submit **one** typewritten original and **one** copy of the **entire application** and **three** copies of the preliminary engineering report or architectural plans (if public facilities/public projects are proposed), plus **three** additional copies of Form A (both sides) postmarked by March 16, 1998.

Eligibility Performance Requirements: The basic eligibility/performance requirements have been discussed in STEP 2 herein. The following selection criteria have been developed to select projects which meet the highest priorities of the program.

Public Facilities/Public Projects Selection Criteria: Applications that meet the eligibility requirements of the program will be rated and ranked based on the selection criteria in comparison to the other projects submitted. The selection criteria for public facilities activities are as follows:

(1) **NEED (Maximum 40 points):**

Priorities (40 points): Public facility/public project needs are prioritized as follows:

- 0-10 pts. - Health or safety;
- 0-09 pts. - Environmental damage;
- 0-07 pts. - Community/Project Viability;
- 0-06 pts. - Property Damage;
- 0-05 pts. - Inadequate facilities for potential (speculative) growth;
- 0-03 pts. - Cultural, recreational, or aesthetic

(2) **PROJECT IMPACT (maximum 30 points):** Seven and one-half points will be awarded to each of following: Strategy, Cost Effectiveness, O&M Capacity, and Self sustaining capabilities.

(3) **LOCAL EFFORT (25 points):** There are three parts to the scoring of "local effort":

(a) **Leveraging (10 points):** Leveraging is defined as the amount of local cash proposed for the project in comparison to unrestricted budget reserves. The amount of budget reserves is calculated by adding the beginning balance (including investments), revenues, and transfers in, then subtracting expenditures, transfers out, and 8% of the amount for expenditures. This would apply to all budget funds under the applicant's control, except those that have been restricted to a specific use by a vote of the people or state law, unless that activity is proposed in the project. Budget funds controlled by a separate board also should not be included, unless a related activity is proposed in the project. Applicants may not designate previously unrestricted funds for a specific use in order to provide for a better evaluation for this program. The budget information must be certified as correct by the budget officer of the political subdivision, and must reflect the latest approved budget or formal amendment.

- (b) Tax-Fee Effort (10 points): For utility-type projects, the revenues received from combined tax and user fees will be divided by total population/total users divided by latest available per capita income figures. For "on behalf of" applications for special districts (water, sewer, fire, etc.), the "total population" shall be the population of the district and the revenues shall be those of the district. For non-utility projects, the revenues received from sales, property, electric and gas franchise taxes for cities and sales, property, and special road or bridge districts (if applicable) for counties will be divided by total population divided by latest available per capita income figures. Cities and counties will be evaluated separately. Applicants will be rated against each other in priority applied for. For proposed new systems, revenue projections must be included in the application in order to receive rating points.
- (c) In-kind contribution (5 points): Up to 5 points are awarded to applicants committing in-kind or non-cash related support work to the project.
- (4) PAST PERFORMANCE (5 points): Up to a total of five points will be awarded for past performance in the State CDBG program. This is for all grants awarded in the past five years, i.e., since FY-92 and will be based on timeliness of completion, adherence to compliance issues, lack of major findings, general program administration. If an applicant has not participated in the CDBG program since FY-92, these points will be awarded.
- (5) THRESHOLD ELIGIBILITY: Specific point amounts can be deducted from the final score for threshold eligibility.

The following is a list of deficiencies and the points associated with each:

- 5 pts - Public hearing notice not published or less than five full days notice given for hearing (first and last day of publication not applicable to five-day period; therefore, seven days are necessary to carry out requirement);
- 5 pts - Requested over \$500,000 for Public Facility or \$600,000 for Neighborhood Development;
- 5 pts - Housing less than 40% of project or more than \$450,000, excluding administration, legal, audit;
- 5 pts - Hearing held after February 28, 1997 or before September 15, 1996
- 5 pts - LMI determination incorrect, i.e., used census when should have surveyed; did not survey 100% of beneficiaries, census data did not fit project, 80% return rate not obtained, etc.;
- 5 pts - \$5,000 and/or \$12,000/household exceeded (includes professional services, but not administration, audit, legal, relocation, counseling, and lead-based paint reduction;
- 5 pts - More than one public facility applied for in a public facility application;
- 5 pts - Wrong applicant;
- 5 pts - Application should have been multi-jurisdictional and applicant failed to address;
- 5 pts - Application post-marked after March 17, 1997;
- 5 pts - Failure to provide preliminary engineering report;

Any document missing as listed, or any document submitted incomplete - "incomplete" defined as information that cannot be ascertained from the application:

- | | |
|---------|--|
| 1 pt.- | Form A - Project Profile |
| 5 pts.- | Form B - Cost Summary |
| 5 pts.- | Form C - Local Effort |
| 5 pts.- | Form D - Minimum Requirements and Maximum Limits |
| 1 pt.- | Form E - Professional Service |
| 5 pts.- | Form F - Housing Activities, if applicable |
| 5 pts.- | Form G - Narratives |
| 1 pt.- | Form H - Civil Rights |
| 5 pts.- | Form I - Public Participation and the Needs Assessment, and supporting documentation requested. |
| 1 pt.- | Statement of Assurances |
| 1 pt.- | Supplemental Section 3 Utilization Statement, if request exceeds \$200,000 |
| 1 pt.- | Resolution |
| 1 pt.- | Antidisplacement and Relocation Plan |
| 1 pt.- | Disclosure Report |
| 5 pts.- | Map |
| 5pts.- | LMI survey Instrument and LMI Survey Tabulation Sheet, if applicable |
| 5 pts.- | Intergovernmental Agreement (executed), if applicable |
| 5 pts.- | Letters of Commitment (must be attached from all other Federal and State funding sources involved) |

Neighborhood Development Projects Selection Criteria: Applications that meet the eligibility requirements set forth in this document will be rated and ranked based on a comparison with the other neighborhood development projects. The selection criteria will be as follows:

1) **Need: (20 points)** The factors of "need" include the following:

- a) **Concentration of Substandard Units:** Percent of the number of substandard units in the target neighborhood divided by the total number of residential units.
- b) **Concentration of Severely Deteriorated Units:** Percent of severely deteriorated units in the target area divided by the total number of substandard units in the target area. ("Severely deteriorated" is a unit with a potential rehabilitation cost of more than \$10,000 in order to achieve livability standards. Major defects to consider include: obsolete and dangerous wiring in the entire house, need for a new roof, need for rebuilding the foundation, major plumbing problems, etc. Cosmetic items, such as the need for repainting, is not a major defect unless it significantly contributes to the structural deterioration of the unit)

2) **Housing Impact (20 points):** Up to 20 points will be awarded based on the ratio of the number of units to be rehabilitated, demolished, and built in the target area divided by the number of deteriorated and dilapidated units in the target area. Points will be awarded as follows:

65% and above - 20 points;	45 - 54% - 10 points;
55 - 64% - 15 points;	35 - 44% - 5 points;
Below 35% - 0 points.	

DED reserves the right to adjust impact scores if the cost of the rehabilitation proposed per unit does not appropriately address the conditions of the unit.

- 3) **Past Performance in CDBG Program:** Up to 5 points will be awarded for successful completion of previous CDBG housing projects. Criteria will include accomplishments of proposed activities; rehabilitation to required standards; no major monitoring findings. If an applicant has not previously participated in the CDBG housing program, these points will be awarded.
- 4) **Leveraging:** Up to 10 points will be awarded for proposed leveraging in the current application of other local or private funds toward housing and public facilities (5 points for each category - if application is housing only, all 10 points will be directed to housing leveraging). In order to count in the rating, any commitment beyond program requirements must be in writing and submitted with the application. Leveraging in housing could include, but is not limited to, weatherization carried out and paid for by another agency, commitment of homeowners to provide partial funding in rehabilitation, use of rental rehab funds to address the needs in the area, landlord contributions beyond requirements of program, or an

RD Housing Preservation grant, or supportive services provided by other agencies and not-for-profit organizations.

5) **Public Facilities:** Up to 25 points will be awarded on the basis of:

- a) The "need" of the proposed public facilities, activities evaluated the same as public facilities projects (15 points);
- b) the degree to which all the significant public facility needs in the target area are being addressed in the project (impact) (10 points).

Total score (minus strategy points) will be prorated based on dollar amounts of public facilities requested.

6) **Strategy:** Up to 20 points will be awarded on the basis of:

- a) whether the proposed strategy is feasible, self-sustaining, and cost effective, including the relation of the public facilities to the proposed housing.
- b) the efforts made by the community to prevent blighting from occurring, including code enforcement actions.
- c) whether the design of the target area is appropriate.
- d) whether improvements to houses will have long-term impact, and will contribute to the viability of the neighborhood.

7) **Supportive Services:** Up to 15 points will be awarded on the basis of:

- a) a maximum of 5 points for each supportive service proposed and points will be awarded based on a description of the need for the service, and
- b) based on the feasibility and quality of the service.

DED reserves the right to determine if supportive services should be aggregated to one service. For example, financial and maintenance counseling typically are provided as one service and in many cases will be scored as such. More than 3 supportive services can be scored to reach 15 points. Supportive services may be awarded points regardless of funding from CDBG dollars.

Application Documents: There are particular documents that are contained in the application that merit comment here. Close attention to these documents will avoid undue mistakes and points off.

Residential Antidisplacement and Relocation Assistance Plan:

Effective October 1, 1988, an applicant must have a plan in place for any displacement and/or relocation which might occur within its jurisdiction, regardless of whether same is part of the proposed project. Such plan must be submitted with the application. If an applicant is proposing relocation or demolition, they must indicate on the document whether the units to be demolished are occupied. If they are, the applicant must indicate their **plan** for meeting the one-to-one replacement requirement.

Disclosure Report:

All applications must contain a disclosure report. If over \$200,000, the application must list all persons and entities having a pecuniary interest (over \$50,000) in the project (See application). **This report must be amended, as appropriate throughout the life of the grant.**

Resolution:

After the public hearing, and before the application is submitted, the governing body must pass a resolution authorizing submission of the application and commitment of a specific amount of local funds (if any) to the project (sample included in application).

APPENDIX C

Section 104(d) of Housing and Community Development Act of 1974, as Amended

1. Introduction

Under Section 104(d) of the Act, a grant under Section 106 (CDBG Programs) or Section 119 (UDAG Program) may be made only if the grantee/recipient adopts, makes public and certifies that it is following a "residential antidisplacement and relocation assistance plan" that contains two components--a one-for-one replacement unit requirement (see item 2) and a relocation assistance component (see item 3).

The requirements apply to the:

- . CDBG Entitlement Program
- . State CDBG Program
- . HUD-Administered Small Cities Program
- . Section 108 Loan Guarantee Program

The regulations implementing Section 104(d) are contained in Section 570.606(b), which covers the CDBG Entitlement, HUD-Administered Small Cities, Section 108 Loan Guarantee, and Section 570.496a(b) which covers the State CDBG program.

Certification and Plan is required even if grant will not result in demolition or in the conversion of a low/moderate unit to a use other than low/moderate-income housing. Attached is a guide form Plan.

2. One-For-One Replacement Unit Requirement

All occupied and vacant occupiable low/moderate-income dwelling units demolished or converted to a use other than as low/moderate-income dwelling units as a direct result of activities assisted under the CDBG program must be replaced with low/moderate-income dwelling units. Section 104(d) defines "vacant occupiable unit" as a vacant unit in standard condition; a vacant substandard unit that is suitable for rehabilitation; or a vacant unit in any condition, that has been occupied one year prior to any rehab or demolition agreement for that unit by the grantee with the owner. (Substandard units that have been removed must be replaced and if assisted rehabilitation raises the rent of a low/moderate unit to a rent above the FMR, the unit must be replaced.)

Section 104(d) replacement low/moderate-income dwelling units must be provided within three years of the commencement of the demolition or the rehabilitation related to the conversion (LMI units provided up to one year prior to submission of the grant specific 104(d) plan).

Located within the same community, and to the extent feasible, within the same neighborhood as the units replaced.

Sufficient in number and size to house at least the number of occupants that could have been housed in the units demolished or converted. (To be determined in accordance with applicable housing occupancy codes.)

Provided in standard condition. A vacant substandard unit raised to standard condition will count.

Designed to remain low/moderate-income dwelling units for at least 10 years from the date of initial occupancy of the units.

Before obligating or expending funds for an assisted activity that will directly result in the demolition or the conversion of low/moderate-income dwelling units to another use, the grantee/recipient must make public and submit to the State CDBG program information that identifies:

- (1) The activity.
- (2) The general location on a map and approximate number of units by size (number of bedrooms) to be demolished or converted.
- (3) Time schedule for demolition/conversion.
- (4) General location on a map and approximate number of Section 104(d) replacement units by size (number of bedrooms).
- (5) Source of funding and time schedule for Section 104(d) replacement units.
- (6) The basis for concluding each Section 104(d) replacement unit will remain low/ moderate for 10 years.

Section 104(d) replacement dwelling units may include public housing, or existing housing receiving Section 8 project-based assistance.

A "low/moderate-income dwelling unit" is unit with a market rental, including utility costs, that does not exceed the applicable FMR for existing housing and moderate rehabilitation, as established under the Section 8 Existing Housing Program.

Exception: The one-for-one replacement unit requirement will not apply if the State CDBG Staff finds there is an adequate supply of available, vacant low/moderate-income dwelling units in standard condition in the grantee/recipient's jurisdiction.

3. **Relocation Assistance:** Grantees/recipients must provide relocation assistance to each low/moderate-income household displaced by the demolition of any housing unit or by the conversion of a low/moderate- income dwelling to another use, occurring as a direct result of assisted activities. Persons must be provided:

- (1) Choice between (i) actual reasonable moving expenses under Section 24.301 or (ii) fixed expense and dislocation allowance under Section 24.302.
- (2) Advisory services as described in 49 CFR Part 24, Subpart C.
- (3) Reimbursement for reasonable and necessary security deposit and credit checks.
- (4) Replacement housing assistance:

Person choosing to rent must be offered either (i) Section 8 housing voucher/certificate (through housing authority) and referrals to comparable replacement dwelling units where owner agrees to

participate in Section 8 Program or (ii) cash rental assistance to reduce rent and utility costs to 30% of income (adjusted, as determined by grantee/recipient) for 5-year period and appropriate referrals to comparable replacement dwelling units.

Person buying interest in a housing cooperative or mutual housing association may elect to receive lump sum payment based on capitalized value of rental assistance installments.

NOTE: Person may elect Uniform Relocation Act assistance in lieu of above. Also, only LMI persons are eligible for Section 104(d) relocation assistance. Non-LMI occupants of an LMI unit are eligible for Uniform Act relocation assistance.

4. **Definition of "Displaced Person":** A "displaced person" is a person that is required to move permanently and involuntarily as a direct result of an assisted activity. The term includes a residential tenant who moves from the real property if the tenant has not been provided a reasonable dwelling in the same building or in a nearby building on the real property following completion of the assisted activity at a monthly rent/utility cost that does not exceed the greater of:

- (1) 30 percent of the tenant household's average monthly gross income, or
- (2) The tenant's monthly rent and average cost for utilities before the owner requested the financial assistance (or, in the case of a unit owned or to be acquired by a State agency, the submission of the application/final statement).

A residential tenant who is required to move to another unit in the property or is required to relocate temporarily, but is not reimbursed for his/her reasonable out-of-pocket expenses, would also be considered a "displaced person", if he/she moves from the real property permanently.

5. **Appeals:** A person may appeal the grantee/recipient's determination on his/her eligibility for, or the amount of, the relocation assistance. If dissatisfied with the grantee/recipient's determination on the appeal, the person may seek review by HUD/State.
6. **Effective Date:** Section 104(d) was effective October 1, 1990.

